

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Gladwin County District Library	County Gladwin
Fiscal Year End December 31, 2006	Opinion Date February 9, 2007	Date Audit Report Submitted to State May 23, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

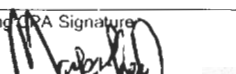
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Burnside & Lang, P.C.		Telephone Number (989) 835-7721	
Street Address 5915 Eastman Ave., Suite 100		City Midland	State MI
		Zip 48640	
Authorizing CPA Signature 		Printed Name Mark R. Freed, CPA, CSEP	
		License Number 1101012221	

**GLADWIN COUNTY
DISTRICT LIBRARY**

Gladwin, Michigan

FINANCIAL STATEMENTS

**For The Year Ended
December 31, 2006**

GLADWIN COUNTY DISTRICT LIBRARY

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FINANCIAL STATEMENTS

Independent Auditors' Report

Members of the Board of Trustees
Gladwin County District Library
Gladwin, Michigan

We have audited the accompanying general purpose financial statements of the Gladwin County District Library ("the Library"), Gladwin, Michigan, as of and for the year ended December 31, 2006, as listed in the table of contents. These general purpose financial statements are the responsibility of the Library's Board. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform to accounting principles generally accepted in the United States of America.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gladwin County District Library, Gladwin, Michigan, as of December 31, 2006, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 10 is not a required part of the general purpose financial statements but is supplementary information required by accounting principals generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Burnside & Lang, P.C.

Midland, Michigan
February 9, 2007

GLADWIN COUNTY DISTRICT LIBRARY
BALANCE SHEET/STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Balance Sheet Modified Accrual	Adjustments Fixed Assets	Statement of Net Assets
ASSETS AND OTHER DEBITS			
Assets			
Cash and cash equivalents	\$ 12,125	\$ -	\$ 12,125
Investments	635,765	-	635,765
Accounts receivable	12,050	-	12,050
Capital assets, net			
Furniture and equipment, net	-	33,130	33,130
Library collection	-	897,196	897,196
TOTAL ASSETS AND OTHER DEBITS	\$ 659,940	930,326	1,590,266
LIABILITIES, FUND BALANCE AND OTHER CREDITS			
Liabilities			
Due to other governments	46,815	-	46,815
Accounts payable	4,343	-	4,343
Accrued payroll and benefits	26,978	-	26,978
Total liabilities	78,136	-	78,136
Fund balance and other credits			
Fund balance:			
Reserved (Williams Memorial)	441,195	(441,195)	-
Unreserved	140,609	(140,609)	-
Total fund balance and other credits	581,804	(581,804)	-
TOTAL LIABILITIES, FUND BALANCE AND OTHER CREDITS	\$ 659,940		
Net Assets			
Invested in capital assets		930,326	930,326
Reserved		441,195	441,195
Unrestricted		140,609	140,609
TOTAL NET ASSETS		\$ 1,512,130	\$ 1,512,130

GLADWIN COUNTY DISTRICT LIBRARY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
For the Year Ending December 31, 2006

	Statement of Revenue, Expenditures, and Changes in Fund Balances		Statement of Activities
	Modified Accrual	Adjustments	
Revenue			
Property tax	\$ 360,332	\$ -	\$ 360,332
Other taxes	1,464	-	1,464
State revenue	18,797	-	18,797
Grant revenue	9,380	-	9,380
Contributions	8,246	-	8,246
Library fees	13,607	-	13,607
State penal fines	186,027	-	186,027
Interest income	10,628	-	10,628
Interest income - William Memorial (CD)	17,948	-	17,948
Other revenue	2,521	-	2,521
Total revenue	628,950	-	628,950
Expenditures			
Current:			
Salaries & Wages	212,207	-	212,207
403(b)	18,153	-	18,153
Fringe benefits	8,540	-	8,540
Payroll taxes	15,950	-	15,950
Vacation & Sick	20,999	-	20,999
Bank charges	1,137	-	1,137
Cash short & (over)	(261)	-	(261)
Supplies and printing	16,791	-	16,791
Postage/meter rental	3,551	-	3,551
Misc/Refunds/Rebates	487	-	487
Publicity	6,644	-	6,644
Membership fees	386	-	386
Contractual services	70,218	-	70,218
Contractual services - White Pines	7,619	-	7,619
Valley library	17,051	-	17,051
Training	1,591	-	1,591
Meals	43	-	43
Rent	35,994	-	35,994
Telephone	7,036	-	7,036
Insurance	50,336	-	50,336
Travel	3,943	-	3,943
Legal & Professional	7,120	-	7,120
Children programs	4,909	-	4,909
Utilities	19,399	-	19,399
William Estate expenses	4,135	-	4,135
Maintenance expenses	3,912	-	3,912
Software equipment	19,763	-	19,763
Tax tribunal & Board of Review	118	-	118
Unrealized loss	112	-	112
Unrealized loss - Williams Estate	486	-	486
Capital outlay			
Library materials	81,150	(81,150)	-
Furniture and equipment	19,327	(19,327)	-
Depreciation expense	-	6,612	6,612
Disposal of library collection	-	58,830	58,830
Total expenditures	658,846	(35,035)	623,811
Revenues over expenditures	(29,896)	35,035	5,139
Fund balance/net assets - beginning of year	611,700	895,291	1,506,991
Fund balance/net assets - end of year	\$ 581,804	\$ 930,326	\$ 1,512,130

GLADWIN COUNTY DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Gladwin County District Library (the “Library”) is a governmental entity. The accounting policies of the Library conform to generally accepted accounting principles applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

The Library is governed by a Board (the “District Library Board”) which consists of eight members appointed by the legislative bodies of the Participating Municipalities. Four members are appointed by Gladwin County, two members by the City of Gladwin, and two members by the City of Beaverton.

The Library has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14, and has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the Library.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the Library are organized on the basis of a fund and account groups, each of which is considered a separate accounting entity. The operations of each fund and account group are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into one fund type. The government reports the following major fund:

GLADWIN COUNTY DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

D. Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year.

E. Assets, Liabilities, and Net Assets

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

Prepaid Items—Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

GLADWIN COUNTY DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Assets (continued)

Capital Assets—Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Assets are properly depreciated in accordance with GASB 34 rules, along with the respective accumulated depreciation amounts.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Library furniture	5 to 10 years
Computer equipment	3 years

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The General Fund budget is adopted at the fund level as presented in the financial statements, and amended as necessary during the year. The budget document presents information by fund, function, department or activity, and line items. The budget is not a line item budget. The line item detail is provided for management analysis only. The legal level of budgetary control adopted by the governing body is the department or activity level.

Excess of Expenditures Over Appropriations in Budgeted Funds—During the year, the Library incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Items</u>	<u>Budget Appropriations</u>	<u>Actual Expenditure</u>
Legal & Professional Services	\$ 7,100	\$ 7,120
Salaries	212,000	212,207
Fringe	9,000	29,539
Supplies & printing	16,000	16,791
Publicity	6,000	6,644
Contractual Services	30,000	70,218
Meals	-	43
Williams Estate expenses	-	4,135
Capital Outlay - Furniture & Equip.	-	19,327

GLADWIN COUNTY DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Library is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The county board has designated one bank for the deposit of funds. The investment policy adopted by the county board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The Library's deposits and investment policy are in accordance with statutory authority.

At December 31, 2006, the Library's deposits and investments were reported in the basic financial statements in the following categories:

<u>Cash</u>	<u>Carrying Amounts</u>	<u>Bank Balances</u>
Petty Cash	\$ 80	\$ 80
Bank Accounts - Chemical Bank	12,045	12,045
Certificates of Deposit – Chemical Bank	194,570	194,570
Certificates of Deposit – Chemical Bank	<u>441,195</u>	<u>441,195</u>
Total Cash Balances	<u>\$ 647,890</u>	<u>\$ 647,890</u>

At December 31, 2006, the Library's cash is held at one banking institution and in one bank account and two certificates of deposit. The FDIC insurance would cover up to \$100,000 for each separate bank for a total of \$100,000.

GLADWIN COUNTY DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At year end, the Library had \$547,890 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized. However, the Library would greatly decrease this investment and deposit risk if they diversified their funds over several different banks.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that Gladwin County District Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Library had no investment activity.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Library's current investments have no potential interest rate risk.

NOTE 4. LEASES

The Library rents building space for its branch under an operating lease on a month-to-month basis from the City of Gladwin. Total rent expense under this operating lease for the year ended December 31, 2006, was \$35,994.

NOTE 5. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for general liability, property casualty and health claims and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage.

NOTE 6. PENSION PLAN

The pension plan is through the Municipal Employees' Retirement System of Michigan. Total pension expense under this program for the year ending December 31, 2006, was \$18,153.

GLADWIN COUNTY DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 7. FUND BALANCE RESERVES

Reserves represent those portions of fund balance which are not available for expenditure or are legally segregated for a specific future use, these funds are restricted for enhancements to the libraries materials. The reserves of fund balance at December 31, 2006, are the following:

Williams Memorial Estate (Reserved)	\$ 441,195
	<hr/>
Total Reserved Funds	<u><u>\$ 441,195</u></u>

GLADWIN COUNTY DISTRICT LIBRARY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ending December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenue				
Property tax	\$ 360,332	\$ 360,332	\$ 360,332	\$ -
Other taxes	564	564	1,464	900
State revenue	18,726	18,726	18,797	71
Grant revenue	2,160	2,160	9,380	7,220
Contributions	5,700	5,700	8,246	2,546
Library fees	17,500	17,500	13,607	(3,893)
State penal fines	160,000	160,000	186,027	26,027
Interest income	3,053	3,053	10,628	7,575
Interest income - William Memorial (CD)	-	-	17,948	17,948
Other revenue	1,940	1,940	2,521	581
Total revenue	569,975	569,975	628,950	58,975
Expenditures				
Current:				
Rent	47,000	36,500	35,994	506
Bank charges & fees	-	1,500	1,137	363
Cash short & (over)	-	-	(261)	261
Legal & Professional Services	-	7,100	7,120	(20)
Salaries	209,000	212,000	212,207	(207)
Fringe	43,000	9,000	29,539	(20,539)
Payroll Expenses	-	20,000	15,950	4,050
MERS	-	20,000	18,153	1,847
Supplies and printing	15,000	16,000	16,791	(791)
Postage/meter rental	8,000	5,000	3,551	1,449
Misc/Refunds/Rebates	700	700	487	213
Publicity	5,000	6,000	6,644	(644)
Membership fees	500	500	386	114
Contractual services	25,000	30,000	70,218	(40,218)
Contractual services - White Pines	12,000	12,000	7,619	4,381
Valley library	19,000	18,000	17,051	949
Training	4,000	3,000	1,592	1,408
Meals	-	-	43	(43)
Telephone	8,000	8,000	7,036	964
Insurance	48,000	50,700	50,335	365
Travel	4,000	4,000	3,943	57
Children programs	6,500	5,000	4,909	91
Utilities	22,000	20,000	19,399	601
William Estate expenses	-	-	4,135	(4,135)
Maintenance expenses	2,000	4,000	3,912	88
Software equipment	7,000	40,000	19,763	20,237
Tax tribunal & Board of Review	400	400	118	282
Unrealized loss	-	-	112	(112)
Unrealized loss - Williams Estate	-	-	486	(486)
Capital outlay				
Library materials	72,500	84,050	81,150	2,900
Furniture and equipment	-	-	19,327	(19,327)
Capital Improvements	-	1,280	-	1,280
Contingent	-	82,601	-	82,601
Total expenditures	558,600	697,331	658,846	38,485
Revenues over expenditures	11,375	(127,356)	(29,896)	97,460
Fund balance - beginning of year	611,700	611,700	611,700	-
Fund balance - end of year	\$ 623,075	\$ 484,344	\$ 581,804	\$ 97,460

February 9, 2007

Members of the Board of Trustees
Gladwin County District Library
Gladwin, Michigan

In planning and performing our audit of the general purpose financial statements of the Gladwin County District Library for the period ended December 31, 2006, we considered the Library's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal controls. Our consideration of internal controls would not necessarily disclose all matters in the internal control process that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control elements does not reduce to a relatively low level the risk that misstatements caused by errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

The following recommendations are submitted to assist in improving procedures and internal controls.

REPORTABLE CONDITIONS

Accounting System and Procedures Manual (repeat comment)

During discussion with management, it was noted that there is no written accounting policies and procedures manual in place at this time.

We recommend that a policies and procedures manual be written encompassing accounting as well as other procedures of the accounting department. The manual should cover, but not be necessarily limited to the following areas:

1. Management authorization procedures.
2. Segregation of duties, so that the work of one individual provides a cross check on the work of one or more other individuals.
3. Descriptions of all documents and records and how they are used.
4. Access controls of both physical assets as well as accounting records.
5. Special control with regard to your computerized accounting information system.
6. Establishment of a policy relating to the investigation and resolution of unreconciled general ledger account balances and the responsibility to record correcting journal entries.
7. Methods and procedures used in properly reconciling the bank accounts and agreeing the balances to the proper general ledger accounts. This would include the proper recording and reconciliation of any bank wire transfers or automatic transactions.

Good internal accounting control requires that well established and written accounting procedures be maintained within an organization. Development of an accounting and procedures manual will allow the organization to review present procedures and develop new procedures which will improve internal control and assist management in monitoring the recording and safekeeping of assets. It would also allow the Library Director to continually monitor the library's resources and hire additional personnel when a need is apparent to assure that all necessary procedures be completed on a timely basis.

Appropriations in Budgetary Funds

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the library incurred expenditures in excess of the amount appropriated.

We recommend the modified accrual basis of accounting be considered when adopting and amending the budget of the library fund. The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Library Board and documented in the Board's meeting minutes. This will help prevent the Library from incurring expenditures in excess of appropriations.

OTHER MATTERS

The following matters, although not considered reportable conditions, are matters we felt worthy for your consideration.

Daily Cash Transactions (repeat)

It was noted during discussion with the Library Director and employees that the daily cash received during normal library operations does not often balance with the transactions recorded at the end of the day. Due to the volume of business, variety of transactions, and different employees handling cash it's very difficult not to have variances. The Library Director is monitoring this area and continually looking for ways to minimize and eliminate discrepancies. We recommend that the Library Director continue to monitor and to develop necessary procedures to help eliminate these differences.

Although this is a repeat matter, the Library Director has implemented aggressive new procedures and monitoring to reveal patterns in fluctuations in daily cash. Previous analysis revealed a problem in day cash variances with numerous number of days with shortages for the last two months of 2003 through 2005. Since the implementation of new procedures, having the Head of Circulation count cash twice a day, the 2006 variances are much more in line with expectations. It was also noted that although discrepancies are occurring, the amounts are immaterial and cash is safely locked each evening with deposits being made a minimum of twice weekly.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the December 31, 2006, financial statements, and this report does not affect our report on those financial statements dated February 9, 2007. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Board of Trustees, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Burnside & Lang, P.C.

BURNSIDE & LANG, P.C.